

# **Testimony to the House Appropriations Committee**

Anderson House Office Building  
124 North Capitol Ave  
Lansing, Michigan

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Senate Bills 70 & 71  
Involving the Michigan New Jobs Training Program (MNJTP)

Requesting the Removal of the \$50 Million program cap for the  
program and the extension of the program sunset

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Presented by:

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Chairman Pscholka and members of the Committee, particularly Representatives Poleski and Jenkins of my community college district, good morning and thank you for the opportunity to present my testimony today. My name is Daniel Phelan and I am President of Jackson College, one of the State's 28 public community colleges chartered in Jackson County with its flight center, central and north campuses located in Jackson, and additional campuses in Lenawee and Hillsdale Counties. We provide educational programs and services to more than 8,000 credit and 2,000 non-credit students annually in the tri-county area. In addition, our three performance theaters and related spaces provide programming opportunities to another 38,000 persons annually. We are accredited institution of higher education by the Higher Learning Commission of the North Central Association of Colleges and Schools. Jackson College is recognized regionally and nationally for our innovation, our quality education, and are often studied and benchmarked by other community colleges nationally.

I am here today to testify in support of Senate Bills 70 and 71. These companion bills seek to lift the current \$50 million training program cap on the Michigan New Jobs Training Program (MNJTP), as well as extend the sunset of the program and its borrowing ability under the current law.

My experience with the Michigan New Jobs Training Program actually begins in 1984 when I was involved in economic development and training at North Iowa Community College, in Mason City, Iowa. While there, I assisted with the design and legislative creation of House File 623, the *Iowa Industrial New Jobs Training Program*. Later, in 1990, I took a position at Johnson County Community College in Overland Park, Kansas, leading the college's training and economic development institute. While there, we worked with state and business leaders to implement the *Skills Bill*, based upon my knowledge and experience with the successful program in Iowa. In 2001, I arrived at Jackson College, again bringing with me the accumulated knowledge and experiences of economic development and workforce training programs in Iowa and Kansas, which ultimately informed the Michigan Community College Association's advocacy and work with the Michigan Legislature in the creation of the Michigan New Jobs Training Program.

Perhaps you are curious as to why I would move among Midwestern community colleges, and work to introduce and implement a new jobs training program in three states...because it works, and it works amazingly well. For example, at Jackson College, we have brought the Michigan New Jobs Training Program to ten companies, which has resulted in the creation of 433 new jobs, and related training, utilizing \$2.7MM in MNTJP training funds. Training programs have included advanced manufacturing, apprenticeship training, integrated health care, mental health management, supervisory, CAD, management training and a host of others. Spread among the 18 community colleges in the State participating in the program, a total of 113 employers have been assisted to-date, resulting in 125 contracts and a total of 13,980 projected new jobs supported by the existing agreements. In 2012 alone, the economic impact of this program in the State of Michigan was over \$76 million of additional earnings. What's more is the fact that the feedback from our company partners has been overwhelming positive.

There are many benefits provided by this program. For example, the Program eliminates the skills gap which often occurs with new employees; the training delivered to the new employees is exactly what the employers require, when they require it. Most of the training funded by the MNJTP is contract-based and company-specific training. In fact, at Jackson College about 50% of the MNJTP training provided to the company is provided by vendors outside of the college, and in some cases, by the company's own staff. The Program also allows plenty of flexibility for the type of instructional equipment and training that is allowable, from basic-skills acquisition to high-tech skill development, to entire programs of study and skill certifications.

For 31 years, I have worked firsthand with these programs, not only in their ideation, creation and implementation, but also with companies looking to locate to the state, or existing companies considering an expansion in the state. I know the ins and outs of these programs, the job and salary tracking and documentation requirements, the development of the training plan and related curriculum, and the achievement of learning outcomes. I know what works well and what does not. You should know that,

on balance, and most importantly, based upon my experiences, the Michigan New Jobs Training Program represents a significant improvement or upgrade over the Iowa and Kansas models. Think of it as 'New Jobs Training 3.0'. For example, the MNTJP program provides a 'pay-as-you-go' option, which creates a new jobs training fund by accruing diverted new job tax revenues as they are generated, as opposed to the sale of revenue bonds to develop a training fund, which is then retired over a number of years through new job tax revenues. As another example, the MNJTP allows for the training support of a wide variety of companies, and is not restricted to industrial-based jobs. That said, there is one area where the MNTJP legislation is regressive in comparison to Iowa and Kansas: the \$50MM cap.

Practically speaking, the \$50MM program cap significantly limits our ability to fully deploy this new jobs training funding in a predictable, dependable and elegant way for employers. More particularly, as community colleges implement more MNJTP projects across the state, the total level of funding available for training becomes less and less. As a result of the reduced headroom for training funds under the existing \$50MM cap, employers may have to wait for sufficient funding. Permit me to make a finer point on this challenge by giving you an example of how it inhibits our work on the ground.

In 2011, due to the number of training contracts initiated, hit the cap. Consequently, community colleges are only able to access MNTJP funding on a rolling basis, as capacity becomes available through project completion, which translates to about \$500,000 every 5 or 6 months. Given this funding limitation, due to the cap, and in order to provide some level of equity and access to participating colleges across the State, it was determined that all colleges would be placed on a rotating roster and, as funding levels become available through concluded contracts, a funding level allocation would be made to each community college, on a round-robin basis. Unfortunately, this allocation process is untenable.

When we are trying to recruit new companies to the state, or working with existing companies who are considering an expansion, my ability to be precise as to the timing of the funding, and the amount is simply not possible. To complicate matters further, I

may have multiple companies interested in the same small pool of training resources. So, when we sit down with a company, such as Michigan Automotive Compressor, Inc. (MACI), and they have a training program that is projected to exceed \$500,000, when I do get by bite at the training apple, I have to wait for another 5 or 6 months to have the remaining funding allocation that they need for their expansion (over a year delay). That also assumes that no one else in our tri-county region is in need of new jobs training funding, which is never the case.

As you might imagine, the cap is clunky and frankly, it makes gives companies an unfavorable impression due to our inability to tell company CEOs how much we can provide for new jobs training, let alone when the money might come available. In one particular case at Jackson College, because we could not respond in a timely way to the new jobs training needs of the company, the company changed its plans for the project and did not go forward.

Based upon my experience in Iowa and Kansas, where there was no \$50MM cap, I was able to clearly and decisively provide the essential information to the new or expanding company which, when combined with other local economic development efforts, made an impact. For example, when I was working with Sprint on their expansion, I was able participate with the Kansas Economic Development Department and the Overland Park Economic Development staff, and add to the proposal by defining the total number of new jobs, the total salaries, the total training pool available, and inform company officials of the entire funding level which was not only available, but available immediately. Clearly, the ability of Michigan's community colleges to aggressively and quickly advance the economic development of the State is limited, inefficient, and flawed by virtue of the \$50MM cap.

Given the difficult economics of the state currently, I appreciate the concern of the legislature and the governor may have concerning the elimination of this cap. Still, the MNJTP funds represent not a diversion of existing tax revenues, but rather a brief delay on new state tax revenues in order to encourage and assist companies with expansion and the creation of new jobs that might not have occurred otherwise. Still, I understand

this may be difficult to consider. If this legislative body cannot find a way to remove the cap entirely, perhaps, as an alternative, it can significantly increase the cap level so as to remove most of the current problems we face.

I support and ask for your consideration to remove the cap, or at least raising it significantly. Given the demand for MNJTP funding, and the State's desire to improve its economy and economic standing, a \$50MM cap is hardly the right barrier. As I noted previously, the cap interferes with recruitment of new companies, and the expansion of the new, because we are not able to provide a timeline when funds will be available, nor clarity around the amount, nor oftentimes, a sufficient amount of new jobs training funding support. Removal of the cap would allow us to better meet employers needs with a faster response time.

Finally, though I did not address it in the preceding text, SBs 70 and 71 also provide for the extension of the sunset the program, which also essential to the effectiveness of the Michigan New Jobs Training Program.

Thank you for allowing me the opportunity to speak today. I appreciate your support of Senate Bills 70 and 71 and am happy to answer any questions you have.